COMPANY RESULTS

IJM Corporation (IJM MK)

1QFY26: Results Miss; Positives Priced In

IJM missed expectations as weaker-than-expected property sales resulted in core net profits declining yoy. Positively, construction earnings grew on improved construction activity while infrastructure earnings improved sequentially due to narrowing overseas losses. Looking ahead, while the outlook for the construction segment remains a bright spot, we believe the positives have been largely reflected in the current share price. Downgrade to HOLD with a lower target price of RM3.10.

1QFY26 RESULTS

Year to 31 Mar (RMm)	1QFY26 (RMm)	qoq % chg	yoy % chg	Comments
Revenue	**1,733.4**	*(3.2)*	*23.4*	Higher construction revenue offset by lower property sales
EBIT	**227.3**	*(27.5)*	*(2.8)*	
PBT	**152.7**	*(40.7)*	*(0.3)*	
Tax	(45.1)	*(64.1)*	*(3.1)*	
Non-controlling interests	(0.4)	*(103.8)*	*(94.5)*	
Perpetual sukuk	(11.6)	*(22.0)*	*0.0*	
PATAMI	**95.6**	*(25.9)*	*10.0*	Adjusted for allowance for impairments and writedowns and unrealised forex gains
Core PATAMI	**88.6**	*(49.3)*	*(10.4)*	
Margins (%)		**+/-ppt**	**+/-ppt**	
EBIT	*13.1*	*(4.4)*	*(3.5)*	
PBT	*8.8*	*(5.6)*	*(2.1)*	
Core PATAMI	*5.1*	*(4.6)*	*(1.9)*	

Source: IJM Corporation, UOB Kay Hian

RESULTS

- **Below expectations.** IJM Corporation (IJM) reported a core net profit of RM88.6m (-10.4% yoy) in 1QFY26. We arrived at this after adjusting for: a) RM4.5m in allowance for write-backs, b) RM9.2m in allowance for write-downs, c) RM0.1m in disposal gains, d) RM17.0m in unrealised forex gains, and e) RM3.7m in fair value gains on financial assets. This missed expectations, accounting for 15% of our and 16% of consensus' full-year forecasts. The negative deviation stemmed largely from weaker-than-expected property sales.

KEY FINANCIALS

Year to 31 Mar (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	5,919	6,252	7,081	7,225	7,788
EBITDA	1574	1363	1282	1327	1402
Operating profit	1273	1094	1010	1052	1124
Net profit (rep./act.)	600	403	533	579	651
Net profit (adj.)	474	527	533	579	651
EPS (sen)	13.0	14.4	14.6	15.9	17.9
PE (x)	22.9	20.6	20.4	18.8	16.7
P/B (x)	1.1	1.1	1.0	1.0	1.0
EV/EBITDA (x)	5.6	7.0	7.7	7.8	7.9
Dividend yield (%)	2.7	2.7	2.9	3.2	3.6
Net margin (%)	10.1	6.5	7.5	8.0	8.4
Net debt/(cash) to equity (%)	24.2	30.4	33.0	36.6	42.7
Interest cover (x)	5.1	4.8	4.6	4.5	4.5
ROE (%)	5.4	3.6	4.7	5.1	5.6
Consensus net profit	-		554	619	649
UOBKH/Consensus (x)	-	-	0.96	0.93	1.00

Source: IJM Corporation, Bloomberg, UOB Kay Hian

HOLD

(Downgraded)

Share Price	RM2.98
Target Price	RM3.10
Upside	+4.0%
(Previous TP	*RM3.22)*

COMPANY DESCRIPTION

A conglomerate with exposure in construction, property, plantation and concession assets.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	IJM MK
Shares issued (m):	3,506.2
Market cap (RMm):	10,445.4
Market cap (US$m):	2466.4
3-mth avg daily t'over (US$m):	4.2

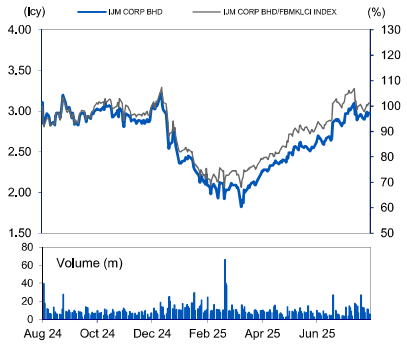
Price Performance (%)

52-week high/low RM3.69/RM1.83

1mth	3mth	6mth	1yr	YTD
3.5	21.6	33.7	(5.4)	(2.0)

Major Shareholders	**%**
Employees Provident Fund	18.2
Amanah Saham Nasional	12.9
KWAP	9.6
FY26 NAV/Share (RM)	2.85
FY26 Net Debt/Share (RM)	0.69

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Construction continued to shine.** IJM's construction segment reported revenue of RM968.7m (+15.1% qoq, +79.2% yoy) and pre-tax profit of RM34.6m (-16.5% qoq, +46.3% yoy) in 1QFY26. Outstanding orderbook came in at RM12.9b, comprised of RM7.2b in local jobs and RM5.7b via its Singapore and UK associates. Total local replenishments came in at RM2.9b ytd, on track to meet its FY26 target of RM6.0b-RM7.0b. Overall, the segment benefitted from improved construction works and newer, early-stage contracts which saw project recognitions grow significantly. We note that despite the stronger revenue, earnings softened sequentially; we believe this is largely due to recognitions of the initial progress billings for key projects (ie Iskandar data centre (DC), Penang electrical and electronics warehouse and Maple Tree Logistics Hub) in 4QFY25 which boosted margins due to high up-front recognitions. Going forward, the recent announcement of the fast-track DC project in Johor is expected to lift earnings as recognitions and margins should be strong given the short timeline. Other key replenishment opportunities include: a) Nusantara government housing project (estimated at RM1.0b), b) Penang LRT (estimated at RM4.0b), c) Penang Airport (estimated at RM1.2b), and d) road projects in East Malaysia.

- **Property sales softened.** The property segment reported earnings of RM27.2m (-77.1% qoq, -31.9% yoy) in 1QFY26. Total property sales came in at RM187.0m (1QFY25: RM256.0m) as softer sentiment resulted in limited take-up. We also understand that IJM did not launch any new projects during 1QFY26 due to the large number of launches in 4QFY25 (GDV: RM3.4b). Going forward, while sales should pick up as the group rolls out RM1.7b GDV in launches, we remain wary that property sales may come in below its target of RM2.0b.

- **Infrastructure: Highway losses narrowed.** IJM's infrastructure arm reported pre-tax profit of RM49.2m (+60.7% qoq, -14.9% yoy) in 1QFY26. Pre-tax profit for ports fell by 34.8% yoy as cargo throughput declined to 5.8m tons (1QFY25: 7.1m) with commodity-related throughput taking the biggest hit. We believe this could be due to lower shipping activity globally following the announcement of the US' tariff regime earlier in Apr 25. On the toll side, pre-tax profit grew to RM21.0m (+14.5% yoy). Besraya and the North Pantai Expressway saw earnings grow 10.5% yoy while losses from WCE and overseas infrastructure narrowed. Looking forward, recent clarity regarding global tariffs may result in shipping activity improving and better cargo throughput for the ports. Conversely, losses from WCE are also expected to widen as the final three of 11 sections are opened and interest payments are reclassified into costs which may drag highway earnings.

VALUATION/RECOMMENDATION

- We cut our FY26F/27F/28F earnings by 10%/8%/7% respectively, imputing lower property sales.

- **Downgrade HOLD with a lower SOTP-based target price of RM3.10 (from RM3.22).** While outlook for the construction segment appears bright given the strong pipeline, we believe positives have been largely priced in following the run-up in share price. Our target price implies 20.8x FY26 PE, around +0.25SD to its 5-year mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• **Environmental**
- Achieved emissions avoidance of 5,176 tCO2e in FY25 from renewable energy generation, waste recycled and the purchase of renewable energy certificates.
• **Social**
- Spent RM2.4m in social contributions to support the community in FY25.
• **Governance**
- Aligned with the principles of the Malaysian Code on Corporate Governance.

1QFY26 RESULTS – REVENUE BREAKDOWN

	1QFY25 (RMm)	qoq % chg	yoy % chg
Construction	968.7	15.1	79.2
Property dev.	240.9	(41.3)	(29.7)
Industrial	311.8	12.4	16.1
Infrastructure	204.2	(19.1)	(16.9)
Others	7.7	(17.4)	11.2
Total	**1,733.3**	(3.2)	23.4

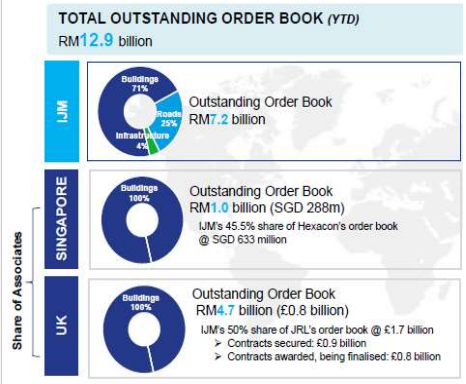
Source: IJM

1QFY26 RESULTS – PBT BREAKDOWN

	1QFY26 (RMm)	qoq % chg	yoy % chg
Construction	34.6	(16.5)	46.3
Property dev.	27.2	(77.1)	(31.9)
Industrial	54.3	(1.5)	23.6
Infrastructure	49.2	60.7	(14.9)
Others	(12.5)	(207.8)	(2.7)
Total	**152.7**	(40.7)	(0.3)
PBT Margins (%)		**+/-ppt**	**+/-ppt**
Construction	3.6	(1.3)	(0.8)
Property dev.	11.3	(17.6)	(0.4)
Industrial	17.4	(2.5)	1.1
Infrastructure	24.1	12.0	0.6

Source: IJM

OUTSTANDING ORDERBOOK



Source: IJM

SOTP VALUATION

	Value (RMm)	Remarks
Construction & Industry	7,934	18x FY26F PE
Infrastructure assets	3,997	Cost of equity 8%
Property	2,257	40% discount to RNAV
Other Investments	583	
Less: Net debt	-1,467	End-FY25
Total SOP value	**13,303**	
Enlarged sharebase	3,648	
FD SOP/share	**3.65**	
Discount	15%	
Fair value/share (RM)	**3.10**	
Implied FY26F PE (x)	20.8	

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Net turnover	**6,252**	**7,081**	**7,225**	**7,788**
EBITDA	1,363	1,282	1,327	1,402
Deprec. & amort.	269	272	275	278
EBIT	1,094	1,010	1,052	1,124
Associate contributions	(19)	12	46	83
Net interest income/(expense)	**(283)**	**(277)**	**(295)**	**(312)**
Pre-tax profit	791	744	803	896
Tax	(324)	(179)	(193)	(215)
Minorities	**(14)**	**17**	**18**	**20**
Preferred dividends	(50)	(50)	(50)	(50)
Net profit	**403**	**533**	**579**	**651**
Net profit (adj.)	527	533	579	651

BALANCE SHEET

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Fixed assets	4,913	6,081	7,246	8,408
Other LT assets	4,469	4,481	4,527	4,610
Cash/ST investment	2,450	2,424	2,311	1,890
Other current assets	9,937	10,227	10,382	11,093
Total assets	**21,769**	**23,212**	**24,465**	**26,001**
ST debt	1,874	1,849	1,965	2,081
Other current liabilities	3,650	4,527	5,168	6,039
LT debt	3,961	4,315	4,585	4,856
Other LT liabilities	954	994	1,006	1,045
Shareholders' equity	11,127	11,340	11,572	11,832
Minority interest	203	187	168	148
Total liabilities & equity	**21,769**	**23,212**	**24,465**	**26,001**

CASH FLOW

Year to 31 Mar (RMm)	2025	2026F	2027F	2028F
Operating	**696**	**1,109**	**1,048**	**784**
Pre-tax profit	791	744	803	896
Tax	(295)	(179)	(193)	(215)
Deprec. & amort.	269	272	275	278
Associates	19	(12)	(46)	(83)
Working capital changes	(343)	28	(45)	(345)
Other operating cashflows	**254**	**254**	**254**	**254**
Investing	(766)	(766)	(766)	(766)
Capex (growth)	(1,440)	(1,440)	(1,440)	(1,440)
Proceeds from sale of assets	878	878	878	878
Others	(204)	(204)	(204)	(204)
Financing	**(314)**	**(357)**	**(384)**	**(428)**
Dividend payments	(280)	(320)	(347)	(391)
Proceeds from borrowings	386	386	386	386
Others/interest paid	(420)	(423)	(423)	(423)
Net cash inflow (outflow)	(384)	(14)	(101)	(409)
Beginning cash & cash equivalent	**2,846**	**2,450**	**2,424**	**2,311**
Changes due to forex impact	(12)	(12)	(12)	(12)
Ending cash & cash equivalent	2,450	2,424	2,311	1,890

KEY METRICS

Year to 31 Mar (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	21.8	18.1	18.4	18.0
Pre-tax margin	12.7	10.5	11.1	11.5
Net margin	6.5	7.5	8.0	8.4
ROA	1.9	2.4	2.4	2.6
ROE	3.6	4.7	5.1	5.6
Growth				
Turnover	5.6	13.3	2.0	10.0
EBITDA	(13.4)	(5.9)	3.5	9.3
Pre-tax profit	(18.0)	(5.9)	7.9	20.3
Net profit	(32.8)	32.1	8.6	22.2
Net profit (adj.)	11.1	1.1	8.6	12.5
EPS	11.1	1.1	8.6	12.5
Leverage				
Debt to total capital	51.5	53.5	55.8	57.9
Debt to equity	52.4	54.4	56.6	58.6
Net debt/(cash) to equity	30.4	33.0	36.6	42.7
Interest cover (x)	4.8	4.6	4.5	4.5

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